

MASTER POWER PURCHASE AND SALE AGREEMENT
AMENDED AND RESTATED COVER SHEET

This *Master Power Purchase and Sale Agreement* (Version 2.1; modified 4/25/00) ("*Master Agreement*") is made as of the following date: April 22, 2002 and is effective May 1, 2002. The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, any designated collateral, credit support or margin agreement or similar arrangement between the Parties, any other Performance Assurances and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name: Calpine Energy Services, L.P. ("CES" or "Party A")

Name: State of California Department of Water
Resources separate and apart from its powers and
responsibilities with respect to the State Water
Resources Development System ("DWR" or
"Party B")

All Notices: Calpine Energy Services, L.P.
50 West San Fernando Street
San Jose, California 95113
Attn: General Counsel

All Notices: California Department of Water Resources
1416 Ninth Street
Sacramento, California 95814
Attn: Office of the Chief Counsel

with a duplicate copy to:

Street: 700 Louisiana Avenue, Suite 2700

Street: 1416 Ninth Street

City: Houston, TX Zip: 77002

City: Sacramento, CA Zip: 95814

Attn: Contract Administration

Phone: (713) 830-8608

Facsimile: (713) 830-8740

Duns: 11-271-0876

Federal Tax ID Number:

Attn: Executive Manager, Power Systems

Phone: (916) 653-5913

Facsimile: (916) 653-0267

Duns:

Federal Tax ID Number:

Invoices:

Attn: Power Accounting

Phone: (713) 830-2000

Facsimile: (713) 830-8740

Invoices:

Attn: Contracts Payable

Phone: (916) 653-6404

Facsimile: (916) 654-9882

Scheduling:

Attn: Scheduling

Phone: (713) 830-8642

Facsimile: (713) 830-8722

Scheduling:

Attn: Chief Water and Power Dispatcher

Phone: (916) 574-2693

Facsimile: (916) 574-2569

Payments:

Attn: Power Accounting

Phone: (713) 830-2000

Facsimile: (713) 830-8740

Payments:

Attn: Cash Receipts Section

Phone: (916) 653-6892

Facsimile: (916) 654-9882

Wire Transfer:

BNK:

ABA:

ACCT:

Wire Transfer:

BNK:

for: Department of Water Resources

ABA:

ACCT:

Credit and Collections:

Attn: Corporate Credit Manager
 Phone: (408) 995-5115
 Facsimile: (408) 995-0505

**With additional Notices of an Event of Default or
 Potential Event of Default to:**

Attn: Risk Management Counsel
 Phone: (713) 830-2000
 Facsimile: (713) 830-8740

with copy to:

Attn: General Counsel
 Phone: (408) 995-5115
 Facsimile: (408) 975-4648

Credit and Collections:

Attn: Deputy Controller
 Phone: (916) 653-6148
 Facsimile: (916) 653-8230

**With additional Notices of an Event of Default or Potential
 Event of Default to:**

Attn: Deputy Controller
 Phone: (916) 653-6148
 Facsimile: (916) 653-8230

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff	Not Applicable	Dated	N/A	Docket Number	N/A
Party B Tariff	Not Applicable	Dated	N/A	Docket Number	N/A

Article Two

Transaction Terms and Conditions ☒ Optional provision in Section 2.4. If not checked, inapplicable.

Article Four

Remedies for Failure to Deliver or Receive ? Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Events of Default; Remedies	? Cross Default for Party A: N/A	
	? Party A: N/A	Cross Default Amount: \$ N/A
	? Other Entity: N/A	Cross Default Amount: \$ N/A
	? Cross Default for Party B: N/A	
	? Party B: N/A	Cross Default Amount: \$ N/A
	? Other Entity: N/A	Cross Default Amount: \$ N/A

5.6 Closeout Setoff

? Option A (Applicable if no other selection is made.).

? Option B – Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows:_____

☒ Option C (No Setoff)

Article 8**8.1 Party A Credit Protection:**

Credit and Collateral Requirements

(a) Financial Information:

? Option A
 ? Option B Specify:

- ☒ Option C Specify: (1) All financial reports of any kind distributed to the holders of any bonds issued by DWR under Water Code Section 80130 et seq. (the “Bonds”). (2) Annual audit, annual budget and all financial information sent to any seller under a power purchase agreement; Party B shall use reasonable commercial efforts to periodically prepare and make available to all sellers under power sales agreements, but not more frequently than quarterly, financial information reasonably intended to apprise all such sellers of the financial condition of the Fund.

(b) Credit Assurances:

- ☒ Not Applicable
? Applicable

(c) Collateral Threshold:

- ☒ Not Applicable
? Applicable

If applicable, complete the following:

Party B Collateral Threshold: _____; provided, however, that Party B’s Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing.

Party B Independent Amount: \$ N/A

Party B Rounding Amount: \$ N/A

(d) Downgrade Event:

- ☒ Not Applicable
? Applicable

If applicable, complete the following:

?

? Other:

Specify: _____

(e) Guarantor for Party B: N/A

Guarantee Amount: \$ N/A

8.2 Party B Credit Protection:

(a) Financial Information:

- ? Option A
☒ Option B Calpine Corporation
? Option C Specify:

(b) Credit Assurances:

- ☒ Not Applicable
? Applicable

(c) Collateral Threshold:

- ☒ Not Applicable
? Applicable

? Applicable

If applicable, complete the following:

Party A Collateral Threshold: _____; provided, however, that Party A's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing.

Party A Independent Amount: \$ N/A

Party A Rounding Amount: \$ N/A

(d) Downgrade Event:

☒ Not Applicable

? Applicable

If applicable, complete the following:

?

? Other:

Specify: _____

(e) Guarantor for Party A: Calpine Corporation ("Corporation ")

Guarantee Amount: From time to time, with respect to each Transaction hereunder, the guarantee under which Corporation is liable for an amount up to the greater of (a) the amount of the Termination Payment and any other payment payable by Party A at such time in the event such Transaction were terminated and Party A were the Defaulting Party and (b) \$12,500,000 (or in the case of Calpine 3, the amount of any unearned capacity payment that has been paid in advance)(the amount specified in clause (b) being the "Minimum Amount").

Article 10

Confidentiality

? Confidentiality Applicable

If not checked, inapplicable.

Schedule M

? Party A is a Governmental Entity or Public Power System

☒ Party B is a Governmental Entity or Public Power System

? Add Section 3.6. If not checked, inapplicable

? Add Section 8.4. If not checked, inapplicable

Other Changes

Specify, if any: The following changes shall apply:

(a) Definitions. (1) Sections 1.6, 1.24, 1.28, 1.33, 1.34, 1.35, 1.36, 1.43, 1.44, 1.48 and 1.56 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"

(2) Section 1.11 is amended by adding the following sentence at the end of the current definition: "The Non-Defaulting Party shall use commercially reasonable efforts to mitigate or eliminate these Costs."

Section 1.23 is amended by deleting the text thereof and substituting the following: Force Majeure" means an event or circumstance which prevents one Party from performing its obligations under one or more Transactions, which event or circumstance was not reasonably foreseeable as of the date the Transaction was agreed to, which is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and which, by the exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided, including, but not limited to: shortages of materials or supplies (except if caused by Seller's failure to maintain sufficient inventories and stores of spare parts), strikes or labor disruptions (except strikes or labor disputes resulting from unsafe working environment or unfair labor practices), interruptions of fuel supply, water supply or transmission, damages or breakdown of machinery, drought, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, sabotage, inability to obtain and maintain applicable governmental approvals from a governmental authority resulting solely from the enactment, repeal or amendment in any applicable law or in the interpretation or application of any applicable law by such governmental authority, in each case occurring after the effective date hereof, or the failure of such governmental authority to comply with statutorily mandated permitting time requirements. Force Majeure shall not include any events such as, but not limited to, events arising from the failure to operate and maintain the Project in accordance with Prudent Industry Practices; economic factors including the price of gas or gas transmission,

curtailment of interruptible gas transportation if firm gas transportation is available or the cost of variable and fixed operation and maintenance costs; events that merely increase the cost of a Party's performance; failure of third parties to provide goods or services essential to a Party's performance except to the extent caused by an event of Force Majeure; or the inability of a Party to obtain financing. If the Claiming Party is a Governmental Entity, Force Majeure does not include any action taken by the Governmental Entity in its governmental capacity. The definition of "Force Majeure" with respect to a particular Transaction may be varied by the Confirmation relating to such Transaction.

(3) Section 1.59 is amended by changing "Section 5.3" to "Section 5.2."

(4) Sections 1.62 through 1.71 are added to Article One as follows:

1.62 "Fund" means the Department of Water Resources Electric Power Fund established by Section 80200 of the Water Code.

1.63 "Forced Outage" means forced outage or forced derating (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) of a generating unit (but only, in the case of a partial forced outage or force derating, to the extent thereof). This definition shall supercede any other definition of Forced Outage used elsewhere in this Agreement or in any Transaction or Confirmation.

1.64 "Market Quotation Average Price" shall mean the average of the good faith quotations solicited from not less than three (3) Reference Market-makers; provided, however, that the Party soliciting such quotations shall use commercially reasonable efforts to obtain good faith quotations from at least five (5) Reference Market-makers and, if at least five (5) such quotations are obtained, the Market Quotation Average Price shall be determined disregarding the highest and lowest quotations.

1.65 "Market Value" shall have the meaning set forth in Section 5.3.

1.66 "Per Unit Market Price" means the applicable price per MWh determined in accordance with Section 5.3.

1.67 "Prudent Industry Practices" shall mean those practices, methods and acts engaged in or approved by a significant portion of the independent electric power industry which, in the exercise of reasonable judgment at the time the decision was made, would reasonably have been expected to achieve the desired results consistent with good business practices, reliability criteria, safety considerations and expediency; provided, however, that Prudent Industry Practices is not limited to any particular practice or practices, but instead includes a range of acceptable practices methods and acts.

1.68 "Qualified Electric Corporation" means an electrical corporation, as defined by the Act, whose long-term unsecured senior debt is rated BBB or better by Standard & Poor's Corporation and Baa2 or better by Moody's Investor Services.

1.69 "Reference Market-maker" means any marketer, trader or seller of or dealer in firm energy products whose long-term unsecured senior debt is rated BBB or better by Standard & Poor's and Baa2 or better by Moody's Investor Services.

1.70 "Replacement Agreement" means any agreement identical to this Agreement excluding Schedule M and such other provisions as may be specifically excluded from a Replacement Agreement pursuant a Confirmation, together with such additional changes as Party A and Party B shall mutually agree. Such Replacement Agreement shall state that it is a Replacement Agreement within the meaning of this Agreement and that it constitutes a novation for which there is adequate consideration.

1.71 "Replacement Contract" means a contract having a term, quantity, delivery rate, delivery point and product substantially similar to the remaining term, quantity, delivery rate, Delivery Point and Product to be provided under a Transaction.

1.72 "Trust Estate" means all revenues under any obligation entered into, and rights to receive the same, and moneys on deposit in the Fund and income or revenue derived from the investment thereof.

(b) Transactions. All Transactions shall be in writing and this agreement may not be orally amended or modified, including by Recording pursuant to Section 2.5.

(c) Governing Terms. Section 2.2 is amended by adding the following sentence at the end of the current section:

"Notwithstanding any other provision of this Agreement or any Confirmation entered into hereunder, each Transaction shall be treated as a stand-alone Transaction and accordingly (a) provisions in the Master Agreement referring to offsetting, netting

suspension or exercise of remedies among multiple Transactions shall not be applicable, (b) an Event of Default or Potential Event of Default with respect to a Transaction shall not independently constitute an Event of Default or Potential Event of Default under any other Transaction and (c) subject to the requirements of this Agreement relating to assignment, each Transaction may be separately assigned or pledged. Each Transaction Confirmation shall be considered a separate contract between Party A and Party B (or, to the extent applicable, their respective successors and assigns) into which the terms and conditions of this Master Agreement have been incorporated. No provision of any Confirmation entered into pursuant to Section 2.4 with respect to a Transaction shall affect any other Transaction."

(d) Intent of Parties; Conditions Precedent. Section 3.7 is added to the Agreement as follows:

3.7 Intent of Parties; Effectiveness of Agreement. (a) It is the intent of the Parties that this Amended and Restated Master Power Purchase and Sale Agreement and the amended and restated Transaction Confirmations being executed concurrently herewith constitute amendments and novations of the Amended and Restated Master Power Purchase and Sale Agreement dated as of February 26, 2001 and the Transaction Confirmations subject thereto, including the confirmation dated February 6, 2001 (the "Existing Agreements"), and "Priority Long Term Power Contracts" under the Rate Agreement described in Section 3.17.

(b) The Amended and Restated Master Power Purchase and Sale Agreement and the amended and restated Transaction Confirmations being executed concurrently herewith shall be effective May 1, 2002. The Existing Agreement shall continue in full force and effect until April 30, 2002.

(e) Events of Default. (a) Section 5.1(c) is amended to read as follows:

"(c) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default and except for such Party's obligations to deliver or receive the Product, the exclusive remedy for which is provided in Article Four unless otherwise provided in a Confirmation with respect to a Transaction) if such failure is not remedied within thirty (30) days after written notice, or, if such failure cannot, with the exercise of commercially reasonable efforts and due diligence, be cured within such thirty (30) day period, such additional period, not to exceed sixty (60) days in total, as may be reasonably necessary to cure such failure; provided, however, that such cure periods may be varied with respect to a particular Transaction by the Confirmation related thereto; provided, further, however, that the cure periods set forth in this Section 5.1(c) shall not be in addition to any cure periods with respect to a particular Transaction or particular provisions thereof as expressly set forth in the Confirmation related thereto, such cure periods as may be expressly set forth in a Confirmation with respect to a particular Transaction or particular provisions thereof being the exclusive cure periods for defaults to which they apply under such Transaction."

(b) The following language shall be deleted from Section 5.1(g): ", or becoming capable at such time of being declared."

(f) Declaration of an Early Termination Date and Calculation of Termination Payment.

(1) Section 5.2 is replaced in its entirety by the following: "If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing with respect to a particular Transaction (the "Defaulted Transaction"), the other Party (the "Non-Defaulting Party") shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date ("Early Termination Date") to liquidate and terminate the Defaulted Transaction (each referred to as a "Terminated Transaction") between the Parties, (ii) withhold any payments due to the Defaulting Party under this Agreement with respect to the Defaulted Transaction, and (iii) suspend performance with respect to the Defaulted Transaction. In addition to any Termination Payment hereunder, if Party A is the Defaulting Party, then Party A shall return to Party B the unearned portion of any payment that Party B has paid in advance, including without limitation, the unearned portion of any annual capacity payment. The Non-Defaulting Party shall be entitled to a payment upon termination of a Defaulted Transaction as the result of an Event of Default (the "Termination Payment") which shall be the aggregate of the Market Value and Costs calculated in accordance with Section 5.3 which shall be paid no later than one hundred eighty (180) days after receipt of written notice of an Early Termination Date, together with interest on such Termination Payment from the date of such notice through the date of payment at an annual rate equal to the "Prime Rate" published in the Wall Street Journal under "Money Rates" (as such rate may be adjusted from time to time), but not in excess of the maximum rate permitted by law. Prior to receipt of such notice of termination by the Defaulting Party, the Non-Defaulting Party may exercise any remedies available to it at law or otherwise, including, but not limited to, the right to seek injunctive relief to prevent irreparable injury to the Non-Defaulting Party. An Event of Default with respect to one Transaction shall not, in and of itself, constitute an Event of Default with respect to another Transaction or give the Non-Defaulting Party the right to terminate any Transaction other than the Defaulted Transaction. If Party B is the Defaulting Party, the unearned portion of any payment that Party B has paid in advance, including without limitation, the unearned portion of any annual capacity payment shall offset any Termination Payment."

(2) The following shall be added to the end of Section 5.2 (as amended by clause (1) immediately above): "Notwithstanding the other provisions of this Agreement, if the Non-Defaulting Party has the right to liquidate or terminate a Transaction under this Agreement under the provisions of this Article 5 because the Defaulting Party either (a) is the subject of a bankruptcy, insolvency, or similar proceeding, or (b) applies for, seeks, consents to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator, or similar official for all or a substantial portion of its assets, then such Transaction shall automatically terminate, without notice, as if the Early Termination Date was the day immediately preceding the events listed in Section 5.1."

(3) Section 5.3 is replaced in its entirety by the following:

"5.3. Termination Payment Calculations. The Non-Defaulting Party shall calculate the Termination Payment as follows:

- (a) Market Value shall be (i) in the case Party B is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) payments under a Replacement Contract based on the Per Unit Market Price, and (B) payments under this Agreement, or (ii) in the case Party A is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) payments under this Agreement, and (B) payments under a Replacement Contract based on the Per Unit Market Price, in each case using the Present Value Rate as of the time of termination (to take account of the period between the time notice of termination was effective and when such amount would have otherwise been due pursuant to the relevant transaction). The "Present Value Rate" shall mean the sum of 0.50% plus the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in United States government securities) at 11:00 a.m. (New York City, New York time) for the United States government securities having a maturity that matches (or most closely approximates) the average remaining term of this Agreement. It is expressly agreed that the Non-Defaulting Party shall not be required to enter into a Replacement Contract in order to determine the Termination Payment.
- (b) To ascertain the Per Unit Market Price of a Replacement Contract with a term of less than one year, the Non-Defaulting Party may consider, among other valuations, quotations from leading dealers in energy contracts, the settlement prices on established, actively traded power exchanges, other bona fide third party offers and other commercially reasonable market information.
- (c) To ascertain the Per Unit Market Price of a Replacement Contract with a term of one year or more, the Non-Defaulting Party shall use the Market Quotation Average Price; provided, however, that if there is an actively traded market for such Replacement Contract or if the Non-Defaulting Party is unable to obtain reliable quotations from at least three (3) Reference Market-makers, the Non-Defaulting Party shall use the methodology set forth in paragraph (b).
- (d) In no event, however, shall a party's Market Value or Costs include any penalties, ratcheted demand charges or similar charges imposed by the Non-Defaulting Party.

If the Defaulting Party disagrees with the calculation of the Termination Payment and the parties cannot otherwise resolve their differences, the calculation issue shall be submitted to dispute resolution as provided in Section 10.12 of this Agreement. Pending resolution of the dispute, the Defaulting Party shall pay the undisputed portion of the Termination Payment calculated by the Non-Defaulting Party no later than one hundred eighty (180) days after receipt of written notice of an Early Termination Date and shall pay any unpaid disputed amount determined to be due by the later of (i) one hundred eighty (180) days after receipt of written notice of an Early Termination Date and (ii) fifteen (15) days after resolution of the dispute."

(4) Sections 5.4, 5.5, 5.6, 6.7 and 6.8 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"

(5) Section 5.7 is revised by replacing "any or all Transactions" in clause (i) thereof with "the Defaulted Transaction."

(g) **Governmental Charges.** The following sentence shall be added to the end of Section 9.2:

"Seller shall be entitled to pass through to Buyer any liability, loss, cost, damage and expense, including gross-up (collectively, "Expense"), arising out of a tax or other imposition enacted by the California state legislature after the date of this Agreement that is not of general applicability and is instead directed at the generation, sale, purchase, ownership and/or transmission of electric power, natural gas and/or other utility or energy goods and services, but only insofar as the Expense in question relates to a Transaction hereunder or reflects an increase in Seller's cost of service in connection therewith. Buyer shall be entitled to the benefit of a reduction of or credit with respect to any such tax or other imposition enacted by the California state legislature after the date of this Agreement, but only insofar as such reduction or credit relates to a Transaction hereunder or reflects a decrease in Seller's cost of service in connection therewith. In the event any such tax or other imposition is enacted after the date of this Agreement, or there occurs any reduction

of or credit with respect to same, then, without prejudice to the rights of Seller and Buyer under this paragraph, Seller and Buyer shall attempt to reach agreement on appropriate adjustments to the contract price (either the energy price or the capacity charge, depending on the nature of the tax or imposition) in order to reasonably compensate the Seller or Buyer, as the case may be, for the Expense in question or the reduction or credit with respect to same, as the case may be."

(h) Representations and Warranties.

(1) The following language shall be deleted from the new subsection (a) to Section 10.2: (i) the phrase "or any of its Affiliates" in Section 10.2(vi), and (ii) the phrase "or Potential Event of Default" in Section 10.2(vii).

(2) Party B shall not be deemed to make the representations set forth in clauses (ix) and (xi) of the new subsection (a) of Section 10.2.

(i) Indemnity. The phrase "To the fullest extent allowed by law" is added at the beginning of the first two sentences of Section 10.4, and the following sentence is added at the end of Section 10.4: "To the extent that either Party is excused by law from the foregoing indemnity obligations, the other Party shall also be excused to the same extent."

(j) Assignment. (1) The phrase "(A) if the guaranty provided by the Guarantor remains in effect with respect to such assignee or (B)" is inserted in clause (ii) of Section 10.5 after the phrase "transfer or assign this Agreement to an affiliate of such Party."

(2) Insert the phrase "(or, with respect to clause (iv), Party B)" after the phrase "provided, however, either Party" in the third line of Section 10.5, insert the phrase "(except with respect to clause (iv), for which consent will be required to the extent provided therein)" after "without the consent of the other Party" on the third and fourth lines of Section 10.5, and add the following clause (iv) in the first proviso in Section 10.5: "or (iv) transfer and assign this Agreement to (A) another governmental entity created or designated by law for the purpose of carrying out Party B's obligations under this Agreement and similar agreements with other sellers of power to Party B and under the Bonds if Party B demonstrates to Party A's reasonable satisfaction that such transfer will not adversely affect Party A's right to or likelihood of payment and will not otherwise have a material adverse impact on Party A, or (B) a privately owned utility company if (1) such company's long term senior unsecured indebtedness is rated at least A by Standard & Poor's and A2 by Moody's Investors Services, (2) such assignment is made as part of a general assignment of all or substantially all of the power purchase agreements relying on the Fund to one or more privately owned utility companies, and (3) Party A is satisfied in its sole discretion that such assignment will not have a material adverse effect on the performance of Party B's obligations hereunder or on any federal, state or local regulatory or other governmental requirements relating to Party A;"

(3) Add the following proviso to the end of Section 10.5: "; provided, further, however, that in the event this Agreement is pledged or assigned to a bond trustee pursuant to clause (i) as collateral for bonds issued by Party B, such bond trustee shall not be required to agree in writing to be bound by the terms and conditions hereof, but any person or entity that succeeds to Party B's rights with respect to the Fund or that acquires Party B's rights to receive Products under this Agreement, whether by foreclosure or otherwise, shall be bound, and shall be required to agree in writing to be bound, by the terms and conditions of this Agreement."

(4) The provisions of Section 10.5(i), (ii) and (iii) of the Master Agreement may be applied separately to each Transaction. Party B agrees to enter into a consent to the collateral assignment of any Transaction pursuant to Section 10.5(i) of the Master Agreement in substantially the form of Schedule 1 attached hereto.

(k) Novation. At the end of Section 10.5, add the following: "Notwithstanding the foregoing limitations on assignment, at any time after January 1, 2003, Party A shall, upon the written request of Party B, enter into a Replacement Agreement with one or more Qualified Electric Corporations. This Agreement shall terminate upon execution of the Replacement Agreement except for such provisions that survive the termination of this Agreement by their terms as set forth in a Confirmation with respect to a Transaction. The execution of the Replacement Agreement shall constitute a novation that shall relieve Party B of any liability or obligation arising after the date of termination of this Agreement. Party A's obligation to enter into a Replacement Agreement shall be subject to the condition precedent that the California Public Utilities Commission shall have conducted a just and reasonable review under Section 451 of the Public Utilities Code with respect to such Replacement Agreement and shall have issued an order determining that the charges under such Replacement Agreement are just and reasonable."

(l) Governing Law. In Section 10.6, "New York" shall be replaced with "California".

(m) Dispute Resolution. Add a new section 10.12 to Article 10 as follows:

10.12 Dispute Resolution.

(a) If a dispute shall arise between the Parties relating to the interpretation of this Agreement or to performance of any Transaction under it, the Party desiring resolution of the dispute shall notify the other Party in writing. The notice shall set forth the matter in dispute in reasonable detail and a proposed solution.

(b) The Parties shall attempt to resolve any dispute within 10 calendar days after delivery of the written notice referred to above. Any disputes not so resolved shall be referred by each Party to an officer (or the officer's designee) for resolution. If the Parties fail to reach an agreement within 10 days after such referral, each Party shall have the right to pursue any and all remedies provided in this Agreement and as afforded by law.

(c) The existence of any dispute or controversy under this Agreement or the pendency of the dispute settlement or resolution procedures set forth herein shall not in and of themselves relieve or excuse either Party from its ongoing duties and obligations under this Agreement.

(d) The forum and venue for all actions related to the matters which are the subject of this Agreement shall be a court of competent jurisdiction in the County of Sacramento, State of California.

(n) General. (1) The phrase "Except to the extent herein provided for," shall be deleted from the fourth sentence of Section 10.8, and the phrase "and this agreement may not be orally amended or modified, including by Recording pursuant to Section 2.5" shall be added to the end of such fourth sentence.

(2) For the avoidance of doubt, it is understood and agreed that (a) wherever this Agreement or any Transaction Confirmation refers to Party A's generating assets, such reference includes generating assets owned or controlled by Party A or by its Affiliates that are direct or indirect wholly-owned subsidiaries of Calpine Corporation, and (b) any obligations of Party A under this Agreement or the Transactions entered into hereunder to operate or maintain certain generating assets or to deliver energy from certain generating assets may also be performed by any such Affiliate that owns or controls, or that is responsible for the operation or maintenance of, the generating assets in question, in satisfaction of such obligations of Party A; provided, however, that nothing in this Section (n)(2) shall be deemed to relieve Party A from, or otherwise modify or diminish, Party A's obligations under this Agreement or any Transaction Confirmation hereunder except to the extent expressly so provided herein or therein.

(o) Additional Provisions. New Sections 10.15 and 10.16 are added to Article 10 as follows:

10.15. No Dedication of Facilities. Party A's undertaking hereunder shall not constitute the dedication of the electric system or any portion thereof of Party A to the public or to the other Party, and it is understood and agreed that any undertaking under this Agreement by Party A shall cease upon the termination of Party A's obligations under this Agreement. The foregoing provision shall not impair the Parties' ability to enter into Transactions providing for the delivery of "Unit Firm" or "System Firm" Products.

10.16. No Retail Services; No Agency. (a) Nothing contained in this Agreement shall grant any rights to or obligate Party A to provide any services hereunder directly to or for retail customers of any person.

(b) In performing their respective obligations hereunder, neither Party is acting, or is authorized to act, as agent of the other Party.

(p) Schedule M. Schedule M shall be amended as follows:

(1) In Section A, "Act" will mean those sections of the California Water Code authorizing, establishing and empowering the Department of Water Resources, including Division 27 (beginning with Section 80000) of the Water Code, and the definition of "Special Fund" shall be replaced by the following: "Special Fund" means the Fund.

(2) In Section A, the definition of "Governmental Entity" shall be amended by replacing the current language with the following: "Governmental Entity" means the State of California Department of Water Resources.

(3) In Section B, the following phrase is added before the phrase "in its governmental capacity": "or by the State of California or any of its agencies, departments, instrumentalities or subdivisions".

(4) Delete all references to "Public Power System" in Schedule M.

(5) In Section D, delete Section 3.5 and replace it with the following:

"3.5 No Immunity Claim California law authorizes suits based on contract against the State or its agencies, and Party B agrees that it will not assert any immunity it may have as a state agency against such lawsuits filed in state court."

(6) In Section G, specify that the laws of the State of California will apply.

(7) Add a new Section H, which shall read as follows:

"3.8 No Reduction of Payments. Section Party B covenants and agrees that it will not take any action that will reduce the payments required to be made by the Party B hereunder or that prevents Party A from collecting such payments from Party B or that prevents the Party B from making such payments to Party A hereunder.

(8) Add a new Section I, which shall read as follows:

"3.9. Payments Under Agreement an Operating Expense. Payments under this Agreement shall constitute an operating expense of the Fund payable prior to all bonds, notes or other indebtedness secured by a pledge or assignment of the Trust Estate or payments to the general fund."

(9) Add a new Section J, which shall read as follows:

"3.10. Rate Covenant; No Impairment. In accordance with Section 80134 of the Water Code, Party B covenants that it will, at least annually, and more frequently as required, establish and revise revenue requirements sufficient, together with any moneys on deposit in the Fund, to provide for the timely payment of all obligations which it has incurred, including any payments required to be made by Party B pursuant to this Agreement. As provided in Section 80200 of the Water Code, while any obligations of Party B pursuant to this Agreement remain outstanding and not fully performed or discharged, the rights, powers, duties and existence of Party B and the Public Utilities Commission shall not be diminished or impaired in any manner that will affect adversely the interests and rights of Party A under this Agreement."

(10) Add a new Section K, which shall read as follows:

"3.11. No More Favorable Terms. Party B shall not provide in any power purchase agreement payable from the Trust Estate for (i) collateral or other security or credit support with respect thereto, (ii) a pledge or assignment of the Trust Estate for the payment thereof, or (iii) payment priority with respect thereto superior to that of Party A, without in each case offering such arrangements to Party A."

(11) Add a new Section L, which shall read as follows:

"3.12. Sources of Payment; No Debt of State. Party B's obligation to make payments hereunder shall be limited solely to the Fund. Any liability of Party B arising in connection with this Agreement or any claim based thereon or with respect thereto, including, but not limited to, any Termination Payment arising as the result of any breach or Potential Event of Default or Event of Default under this Agreement, and any other payment obligation or liability of or judgment against Party B hereunder, shall be satisfied solely from the Fund. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA ARE OR MAY BE PLEDGED FOR ANY PAYMENT UNDER THIS AGREEMENT. Revenues and assets of the State Water Resources Development System shall not be liable for or available to make any payments or satisfy any obligation arising under this Agreement."

(12) Add a new Section M, which shall read as follows:

"3.13. Collection Efforts. Party B agrees that it will exercise all rights and use all remedies available to it to collect from retail end use customers all amounts necessary to fund Party B's revenue requirements described in Section 80134 of the Water Code or otherwise owed to Party B for such power."

(13) Add a new Section N, which shall read as follows:

"3.14. Application of Government Code and the Public Contracts Code. Party A has stated that, because of the administrative burden and delays associated with such requirements, it would not enter into this Agreement if the provisions of the Government Code and the Public Contracts Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements and prompt payment requirements would apply to or be required to be incorporated in this Agreement. Accordingly, pursuant to Section 80014(b) of the Water Code, Party B has determined that it would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the Water Code to make such provisions applicable to this Agreement and that such provisions and requirements are therefore not applicable to or incorporated in this Agreement."

(14) Add a new Section O, which shall read as follows:

“3.15. Effect on Fund. Party B agrees that it will not take any actions with respect to the Fund which materially and adversely affects the ability of Party B to pay and perform all of its obligations under this Agreement, including all Transactions hereunder; provided, however, that any actions taken by Party B or a bond trustee in accordance with the provisions of the resolution or indenture providing for the issuance of the Bonds shall not be considered a breach or violation of this provision. ”

(15) Add a new Section P, which shall read as follows:

“3.16. Actions With Respect to Section 3.10. In addition to any other remedies available to Party A, Party A may, in its sole discretion, seek to enforce the provisions of Section 3.10 by an action for mandamus or specific performance, and the exercise of such remedy shall not require any demonstration of irreparable injury by Party A or of the inadequacy of a remedy at law.”

(q) Schedule P. The definition of “Firm (LD)” in Schedule P shall be amended by adding the following language at the end of the existing definition: “The Firm (LD) Product may be provided in the California market as a schedule coordinator to schedule coordinator transaction pursuant to the applicable tariff and protocol provisions of the California Independent System Operator (“CAISO”) tariff, as amended from time to time, or a successor or replacement tariff, for which the only excuse for failure to deliver or receive is an “Uncontrollable Force” as defined in the CAISO tariff.”

(r) CAISO and WSCC. References to CAISO and WSCC shall include their successors. Scheduling standards of each Transaction must conform to the requirements of the CAISO or its successor.

(s) Invoices. Party A shall provide invoice data to Party B, disaggregated by transaction components, in a template format to be specified by Party B.

(t) Guarantees. As soon as reasonably practicable following the effective date of this Amended and Restated Master Power Purchase and Sale Agreement, Party A shall cause Corporation to execute and deliver to Party B its guarantees of each of the Transactions, each such guarantee to be in an amount equal to the Minimum Amount. Thereafter, on or about the first business day of each calendar quarter, either Party A or Party B may deliver to the other Party its written calculation of the Termination Payment, calculated in accordance with Section 5.3 hereof, payable by Party A as of such date in connection with any Transaction in the event such Transaction were terminated as of such date and Party A were the Defaulting Party. If either Party delivers such a calculation, such Party shall also deliver to the other Party such supporting data and information as the other Party may reasonably request to evaluate such calculation and, if the other Party reasonably disputes such calculation, such dispute shall be resolved in accordance with Section 5.3. If, as of any such date, the Termination Payment with respect to any Transaction is greater or less than the amount of the corresponding guarantee then in effect, Party A shall cause Corporation to execute and deliver to Party B a new guarantee (or a supplement to the then-existing guarantee) increasing or decreasing, as the case may be, the amount guaranteed to an amount equal to such Termination Payment amount (but always at least equal to the Minimum Amount). If the amount of any guarantee is to be decreased, then, upon Party A's request (and delivery to Party B of a guarantee in the correct amount), Party B shall return to Party A any previously-delivered guarantee in a greater amount.

[The next page is the signature page.]

Effective May 1, 2002, this Master Agreement constitutes an amendment and restatement of the *Master Power Purchase and Sale Agreement* (Version 2.1; modified 4/25/00) made as of the following date: February 26, 2001.

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

Party A – Calpine Energy Services, L.P.

By: _____

Name: E. James Macias

Title: Executive Vice President

Party B – State of California Department of Water Resources

By: _____

Name: Thomas M. Hannigan

Title: Director

CONSENT AND AGREEMENT

This CONSENT AND AGREEMENT ("Consent and Agreement") is entered into as of [INSERT THE EXECUTION DATE], among California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80270 of the California Water Code, and not under its powers and responsibilities with respect to the California State Water Resources Development System (the "Consenting Party"), [INSERT THE NAME OF THE AGENT FOR THE LENDERS], as agent on behalf of the lenders under the Loan Agreement (as defined below) (the "Assignee") and [Calpine Energy Services, L.P., a Delaware limited partnership] (the "Assignor").

WHEREAS, subject to the terms of [INSERT THE NAME OF THE LOAN AGREEMENT], dated as of [INSERT THE EXECUTION DATE] among the Assignor, [INSERT NAME OF THE AGENT FOR THE LENDERS], as agent on behalf of the lenders [ENTER APPROPRIATE DESCRIPTION] (the "Lenders") (as the same may be amended, modified or supplemented from time to time, the "Credit Agreement"), the Lenders have agreed to make certain loans to the Assignor to enable the Assignor to finance the development, construction, operation and maintenance of the Project (as defined in the Credit Agreement);

WHEREAS, pursuant to the Amended and Restated Master Power Purchase and Sale Agreement dated April __, 2002 [and that certain Amended and Restated Transaction Confirmation (Calpine __)] between Assignor and the Consenting Party (as the same may be amended, modified or supplemented from time to time, the "Assigned Agreement") [step-in rights to be excluded] the Consenting Party has agreed to purchase electric capacity and energy from Assignor; and

WHEREAS, the Assignor is required to assign the Assigned Agreement to the Assignee as collateral security pursuant to [INSERT THE NAME OF THE SECURITY DOCUMENT], dated as of [INSERT THE EXECUTION DATE] between Assignor and Assignee (as the same may be amended, modified or supplemented from time to time, the "Security Agreement") and the Consenting Party has agreed pursuant to the Assigned Agreement to execute and deliver this Consent and Agreement to the Assignee .

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

Section 1: Definitions. Any capitalized term used but not defined herein shall have the meaning specified for such term in the Assigned Agreement.

Section 2: Consent and Agreement. (a) The Consenting Party consents to and approves the assignment of the Assigned Agreement pursuant to the Security Agreement (i) to the Assignee as collateral security for the payment of all amounts payable by the Assignor under the Loan Documents, and (ii) to any nominee, transferee or assignee of, or successor to, the Assignee; a and (iii) to the subsequent transfer of the Assigned Agreement to any person in connection with the Assignee's or any successor transferee's exercise of its rights and remedies under the Credit Agreement and related documents following the occurrence of an Event of Default by the Assignor under the Credit Agreement.

(b) The Assignee (and any successor transferee's) shall have no rights with respect to the Assigned Agreement until the transfer thereof to Assignee or a successor transferee. The Assignee's (and any successor transferee's) rights hereunder following transfer of the Assigned Agreement to Assignee or a successor transferee shall be subject to the conditions that (i) the Assignee, including any successor assignee, shall have assumed in writing all of the duties and obligations of the Assignor under the Assigned Agreement arising on or after the date of such assumption, and (ii) no default shall have occurred and be continuing under the Assigned Agreement except for any such default which has been cured or is in the process of being cured within the applicable cure period in accordance with Section 4.

Section 3: No Current Defaults. The Consenting Party hereby acknowledges and agrees that as of the date hereof (a) the Assigned Agreement is in full force and effect as to the Consenting Party and there are no amendments, modifications or supplements thereto, either oral or written, (b) the Consenting Party has not assigned, transferred, pledged or hypothecated the Assigned Agreement or any interest therein except for a transfer, sale, pledge, encumbrance or assignment of a security interest solely to a bond trustee as security for payment of bonds issued by the Consenting Party, (c) the Consenting Party has no knowledge of any default by the Assignor in any respect in the performance of any provision of the Assigned Agreement or an event or condition which would, with the giving of notice or lapse of time or both, constitute a default under the Assigned Agreement and (d) none of the Assignor's rights under the Assigned Agreement have been expressly waived in writing by the Consenting Party.

Section 4: Notice of Assignor's Default and Termination. (a) Notwithstanding anything to the contrary contained in the Assigned Agreement, so long as any loans, letters of credit, commitments or other obligations are outstanding under the Credit

Agreement or any of the other Loan Documents and until the same have been terminated or satisfied in full, as the case may be, except as provided in the Assigned Agreement under [enumerate provisions][Calpine 1: Special Condition (3); Calpine 2: Special Condition (7); Calpine 3: Special Condition 13(g); and Calpine 4: Special Condition 12(g)], the Consenting Party shall not exercise any right it may have under the Assigned Agreement, at law or in equity, to cancel, suspend or terminate the Assigned Agreement or any of its obligations under the Assigned Agreement, other than as the result of any default or other action or omission of the Assignor; provided that the Consenting Party shall not, except as provided in the Assigned Agreement, exercise any such right that may arise as a result of a default or other act or omission of the Assignor without first giving a copy of a notice of default to the Assignee, such notice to be coupled with an opportunity to (i) cure any such default, action or omission within thirty (30) days after the last day of the cure period available to the Assignor in the Assigned Agreement (except with respect to payment defaults, which cure must be made within ten (10) days after the last day of the cure period available to the Assignor in the Assigned Agreement with respect to payment defaults), such cure period to commence upon receipt of notice by the Assignee), (ii) if such Event of Default (other than a payment default) cannot reasonably be cured within 30 days, to commence in a diligent manner to cure the Event of Default if such Event of Default is capable of being cured (for so long as the Assignor diligently continues such efforts) or (iii) if such Event of Default (other than a payment default) cannot reasonably be cured without possession of the generating units that produce the Product (as defined in the Assigned Agreement) to commence in a diligent manner to prosecute efforts to gain possession of the generating units that produce the Product (for so long as the Assignor diligently continues such efforts); provided that the aggregate cure period available to the Assignee under (i), (ii) and (iii), together with the cure period available to the Assignor in the Assigned Agreement shall not exceed one hundred eighty (180) days (or, in the case of payment defaults, 15 days after notice is given to the Assignee) Consenting Party shall not be obligated to make any capacity payments to the Assignee under the Assigned Agreement while the Consenting Party is not receiving Product from the generating units referred to in the Assigned Agreement in accordance with the terms thereof. Consenting Party shall be entitled to a credit on future capacity payments for capacity payments made to Assignor that are allocable to any period after an Event of Default during which Consenting Party has not received Product under the Assigned Agreement.

(b) [Applicable only to Calpine 3 and 4: An Event of Default under [Calpine 3: Special Condition 13(g); and Calpine 4: Special Condition 12(g)] cannot be cured. The Assignee or its designee may, but shall not be obligated to, preserve the Assigned Agreement by exercising the step-in rights set forth set forth in this subsection (b), subject to the terms and conditions thereof. Consenting Party will not terminate the Assigned Agreement so long as Assignee or its designee complies with the provisions of this subsection (b). If the Assignee or its designee elects to exercise its step-in rights with respect to the Assigned Agreement, upon the occurrence of an Event of Default under [Calpine 3: Special Condition 13(g); and Calpine 4: Special Condition 12(g)], Assignee or its designee shall within one hundred eighty (180) days after written notice to the Assignee of the occurrence of such Event of Default (i) gain control of the generating units that produce the Product, or the output thereof, either through foreclosure proceedings, appointment of a receiver or any other means to the exclusion of the Assignor, and (ii) shall assume Assignor's interest and obligations under the Assigned Agreement or become a party to a new agreement as provided in Section 7(a). To the extent Assignee or its designee succeeds to Assignor's interest under the Assigned Agreement or becomes a party to a new agreement as provided in Section 7(a), the second violation of [Calpine 3: Special Condition 13(g); and Calpine 4: Special Condition 12(g)] shall constitute an Event of Default thereunder.

(c) Such notice of default, act or omission shall be in writing and shall be deemed to have been given (i) when presented personally to the Assignee at the address indicated below (or such other address as the Assignee may have specified by written notice delivered in accordance herewith), (ii) one (1) business day after being deposited for overnight delivery with a nationally recognized overnight courier service or such later date as demonstrated by a bona fide receipt therefor at the address indicated below (or such other address as the Assignee may have specified by written notice delivered in accordance herewith), (iii) when received by the Assignee, if deposited in a regularly maintained receptacle for the United States Postal Service, postage prepaid, registered or certified mail, return receipt requested, addressed to the Assignee at the address indicated below (or such other address as the Assignee may have specified by written notice delivered in accordance herewith) or (iv) when transmitted by telecopy to the number specified below and the receipt thereof is confirmed telephonically by the recipient, provided that such telecopy is then promptly followed by a copy of such notice delivered by a method specified in clauses (i), (ii) or (iii) immediately above.

Notice to Assignee:

[INSERT NAME OF THE AGENT FOR THE LENDERS],
as agent . . .

Attention: _____

Tel: _____

Fax: _____

Except to the extent that automatic cancellation, suspension or termination occurs pursuant to the Assigned Agreement (including without limitation pursuant to Section [insert appropriate section references][Calpine 1: Special Condition (3); Calpine 2: Special Condition (7); Calpine 3: Special Condition 13(g); and Calpine 4: Special Condition 12(g)], of the Assigned Agreement, subject to subparagraph (b) above), no cancellation, suspension or termination of the Assigned Agreement by the Consenting Party, or any of the other actions taken by the Consenting Party under the Assigned Agreement, shall be binding upon the Assignee without such notice and the opportunity to cure during the applicable extended cure periods specified in this Section 4. The Assignee shall not be liable for the performance or observance of any of the obligations or duties of the Assignor under the Assigned Agreement, nor shall the assignment thereof give rise to any duties or obligations whatsoever on the part of the Assignee owing to the Consenting Party except that, insofar as the Assignee exercises any of its rights under the Assigned Agreement or makes any claims with respect to any payments, deliveries or other obligations under the Assigned Agreement, the terms and conditions of the Assigned Agreement, including related obligations, otherwise applicable in respect of such rights being exercised or such claims being made shall apply to the Assignee and require the Assignee's performance of such related obligations to the same extent as they would otherwise apply to the Assignor; provided, however, that Assignee or a successor transferee shall have no rights with respect to the Assigned Agreement until the transfer thereof to Assignee or a successor transferee and shall not exercise any rights or make any claims under the Assigned Agreement following transfer of the Assigned Agreement to Assignee or a successor transferee until Assignee shall have complied with Section 2(b); provided, further, however, that neither any exercise of any rights nor any making of any claims by the Assignee or any nominee, transferee, assignor or successor to or of the Assignee shall prejudice the rights of the Consenting Party against the Assignor in respect of any obligations or liabilities of the Assignor under the Assigned Agreement (or any offsets or claims of the Consenting Party against the Assignor thereunder) occurring prior to the time such Person shall have acquired and assumed the rights and obligations of the Assignor thereunder. If the Assignee fails to cure or rectify the effect of a default, action or omission within the extended cure periods specified in this Section 4, the Consenting Party shall have all its rights and remedies with respect to such default, action or omission as set forth in the Assigned Agreement.

Section 5: No Amendments Without Consent. The Consenting Party shall not amend the Assigned Agreement without the Assignee's prior written consent.

Section 6: Payments to Revenue Account. The Consenting Party hereby agrees that, so long as any loans, letters of credit, commitments or other Obligations are outstanding under the Credit Agreement or any of the other Loan Documents and until the same have been terminated or satisfied in full, as the case may be, all payments to be made by the Consenting Party pursuant to the Assigned Agreement shall be made in lawful money of the United States of America, by check or in immediately available funds. The Assignor directs the Consenting Party to make and the Consenting Party hereby agrees to make all such payments (after giving effect to all netting and offset provisions, if any, set forth in the Assigned Agreement) pursuant to the Assigned Agreement directly to the Assignee, for deposit into the Revenue Account (Account No. _____), or to such other person and/or at such other address or account as the Assignee may from time to time specify in writing to the Consenting Party.

Section 7: Protection of Assignee. (a) Subject to the provisions of Section 2(b), in the event that either (i) any of the Assignor's interest in the Project shall be sold, assigned or otherwise transferred pursuant to the exercise of any right, power or remedy by the Assignee or pursuant to judicial proceedings, or (ii) the Assigned Agreement is rejected under Title 11, United States Code, or other similar Federal or state statute and such rejection is approved by the appropriate court or is otherwise effective pursuant to such statute, and in either such case the Assignee shall have arranged for the curing of any default, action or omission under the Assigned Agreement susceptible of being corrected by the Assignee or by a permitted purchaser at any judicial or non-judicial sale, then the Consenting Party shall, within fifteen (15) days after receipt of written request therefor, which request shall be made not more than thirty (30) days after the Assignee's receipt of notice of the event described in clause (i) or (ii) above, as applicable, execute and deliver an agreement to the Assignee, or its nominee, permitted purchaser, assignee, or transferee, as the case may be, for the remainder of the term of the Assigned Agreement, and with substantially the same terms as are contained in the Assigned Agreement. References in this Consent and Agreement to "Assigned Agreement" shall be deemed also to refer to such new agreement. Such new agreement shall not be effective unless and until such defaults under the Assigned Agreement have been cured. It is the intent of the Parties that any such new agreement constitutes an amendment and novation of the Assigned Agreement and a "Priority Long Term Power Contract" under the Rate Agreement. Nothing herein shall relieve the Assignor from any obligations to the Consenting Party arising under the Assigned Agreement before or after the Consenting Party and the Assignee enter into any such new agreement.

(b) In the event that Assignee elects to perform Assignor's obligations under the Assigned Agreement or succeeds to Assignor's interest under the Assigned Agreement or becomes party to a new agreement as provided in Section 7(a), the Consenting Party's recourse against Assignee (but not any subsequent purchaser, assignee or transferee) under the Assigned Agreement or such new agreement shall be limited to any guaranty or security provided in connection with the Assigned Agreement or new agreement and Assignee's interests in the generating units that produce the Product(s) sold under the Assigned Agreement or new agreement.

Assignee's recourse against Consenting Party under the Assigned Agreement or such new agreement shall be limited as set forth in the Assigned Agreement.

(c) If Assignee or any successor transferee succeeds to Assignor's interest under the Assigned Agreement, Assignee or such successor transferee may substitute, in lieu of any guaranty provided on behalf of Assignor with respect to the Assigned Agreement, either (i) a guaranty from another entity whose long term unsecured senior debt is rated the greater of (x) at least BBB by Standard & Poor's and Baa2 by Moody's Investors Services, or (y) the rating of Consenting Party's bonds (excluding credit enhancement), or (ii) a letter of credit issued by a financial institution rated at least A by Standard & Poor's and A2 by Moody's Investors Services, each in the amount of the Termination Payment that would be payable to Consenting Party under the Assigned Agreement. In the event such substitution is made, the provisions of Section 5.1(h) of the Master Agreement incorporated into the Assigned Agreement would only apply with respect to the substitute guaranty provided by or on behalf of Assignee or such other transferee.

Section 8: Acknowledgment of Assignee's Obligations and Rights. The Assignee has no obligation hereunder to extend credit to the Consenting Party at any time for any purpose solely as a result or execution and delivery of this Consent and Agreement. The Assignee shall have no obligation to the Consenting Party under the Assigned Agreement until such time as the Assignee notifies the Consenting Party in writing of the Assignee's election to assume, or cause an assignee or designee to assume, the Assignor's obligations under the Assigned Agreement as contemplated in Section 2(a). If the Assignor defaults in the performance of any of its covenants to the Assignee in any of the Loan Documents, the Assignee shall have the right, inter alia, to (a) declare all amounts due to the Assignee under the Loan Documents immediately due and payable, (b) take possession of the Project and complete and operate the same, (c) sell or otherwise transfer its interest in the Project to a permitted purchaser and any purchaser at such sale shall succeed to the Assignee's rights hereunder, provided that such permitted purchaser shall cure any defaults by the Assignor under the Assigned Agreement, and assume, or cause an assignee or designee to assume, and continue to perform the Assignor's obligations under the Assigned Agreement, and (d) provided that it or any designee or assignee thereof agrees to be bound by the terms and conditions of the Assigned Agreement as contemplated in Section 2(b), exercise all rights of the Assignor under the Assigned Agreement in accordance with the terms thereof. Without limiting the generality of the foregoing, if an Event of Default occurs and is continuing under any of the Loan Documents, the Assignee or any of its designees or assignees shall (provided that it or any designee or assignee thereof agrees to be bound by the terms and conditions of the Assignment Agreement as contemplated in Section 2(b)), upon notices thereof to the Consenting Party, have the full right and power to enforce directly against the Consenting Party all obligations of the Consenting Party under the Assigned Agreement and otherwise to exercise all remedies of the Assignor thereunder, and to make all demands and give all notices and make all requests required or permitted to be made by the Assignor under the Assigned Agreement and the Consenting Party shall have no liability to the Assignor for acting in response to demands and requests of the Assignee. The Assignee or any of its designees shall have the right, but not the obligation, to perform any act, duty or obligation required of the Assignor under the Assigned Agreement at any time prior to any assumption pursuant to Section 2(b) and nothing herein shall require the Assignee or any of its designees or assignees to cure any default, action or omission of the Assignor under the Assigned Agreement or to perform any act, duty or obligation of the Assignor under the Assigned Agreement prior to any such assumption pursuant to Section 2(b).

Section 9: Binding Upon Successors. All agreements, covenants, conditions and provisions of this Consent and Agreement shall be binding upon and inure to the benefit of the successors and assigns of each of the parties hereto.

Section 10: Captions. The captions or headings at the beginning of each Section of this Consent and Agreement are for convenience only and are not a part of this Consent and Agreement.

Section 11: Governing Law. This Consent and Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 12: Amendment. This Consent and Agreement may be modified, amended or rescinded only by writing expressly referring to this Consent and Agreement and signed by all the parties hereto.

Section 13: Assignment of Claims. If the Assignee makes any payment to the Consenting Party pursuant to this Consent and Agreement or the Assigned Agreement originally required to be made by the Assignor, the Consenting Party shall, within ten (10) days after receipt of written request therefor, execute and deliver to the Assignee an assignment of the Consenting Party's claims against the Assignor for such payment in form and substance reasonably satisfactory to the Consenting Party and the Assignee.

Section 14: Severability. Every provision of this Consent and Agreement is intended to be severable. If any term or provision hereof is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity or unenforceability shall not affect the other terms and provisions hereof, which terms and provisions shall remain binding and enforceable, and to the extent possible all of such other provisions shall remain in full force and effect.

Section 15: Counterparts. This Consent and Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, each of the Consenting Party, Assignee and Assignor has duly executed this Consent and Agreement as of the date first above written.

CALIFORNIA DEPARTMENT OF WATER RESOURCES
[Insert Caption]

By: _____
Name:
Title:

CALPINE ENERGY SYSTEMS, L.P.

By: _____
Name:
Title

[INSERT NAME OF THE AGENT FOR THE LENDERS],
as agent . . .

By: _____
Name:
Title:

By: _____
Name:
Title: